

# Asia's factories parched for demand, need stimulus



Workers sort parts at an electronics company in Tengzhou in China's eastern Shandong province yesterday.

REUTERS, Sydney

January updates on Asia's mammoth factory sector released on Monday showed the New Year began much as the old one ended -- with too much capacity chasing too little demand. China was again the epicentre of disappointment as its official measure of manufacturing fell to the lowest since mid-2012, but the weakness also encompassed such bellwethers of high-tech trade as South Korea and Taiwan. The dearth of demand and resulting downward pressure on inflation was why the Bank of Japan felt moved enough to cut interest rates below zero last week, and why many more were likely to ease further this year. The data are a taster for European and United States surveys later in the day, with growth in manufacturing activity likely static in the euro zone and contracting across the Atlantic. "One risk is that developed world businesses pull back in the face of rising currencies, weak productivity, and sub-par emerging market demand. Central banks recognise these risks, and experience shows that they respond quickly to weakness in their industrial sectors, even when it isn't a precursor to recession," wrote Bruce Kasman, head of economic research at JPMorgan. "Based on past experience, JPMorgan suspected the continued stagnation of manufacturing could result in a full percentage point of monetary easing in one form or other." The official version of China's PMI survey for manufacturing slipped to 49.4 in January, from 49.7 the month before and short of forecasts of 49.6. While the miss was minor, the services index also

disappointed by easing to 53.5 and challenged hopes consumption would take over from industry as the driving force for the world's second-largest economy. A private survey, the Caixin/Markit China Manufacturing PMI, underscored the trend by showing factory activity shrinking for the 11th consecutive month. The news was relatively brighter in Japan where its factory barometer slipped only a tick to 52.3 in January as a pick up in exports helped keep activity expanding. Yet that export performance relied on the yen staying weak, hinting at another reason the BOJ

acted so boldly when easing policy last week. India also recorded an unexpected return to growth as its erratic PMI jumped to a four-month high of 51.1 in January, after slumping to a 28-month low of 49.1 in December. Other countries in the region were not so fortunate. South Korea's manufacturing index eased into contractionary territory in January at 49.5, while the country's exports suffered the sharpest annual fall since August 2009. China is South Korea's largest export market, taking about one-quarter of shipments, followed by the United States and the European Union. Smartphones, cars, semiconductors and flat-screen displays all notched falls in January, boding ill for bellwether companies traditionally propping up the economy. The story was much the same for another electronics hub, Taiwan, where factory growth slowed amid lacklustre demand. Steep falls in selling prices and input costs also underlined the risks of deflation across the region, and the need for yet more stimulus. "Shipments being this weak means a recovery in consumption is urgently needed. If you look at the economy as a whole, this might boost the need for policy easing," said Lee Sang-jae, chief economist at Eugene Investment & Securities. A raft of European PMIs due later Monday are expected to show at least a modicum of growth with the index for the euro zone as a whole seen holding at 52.3. The influential US reading from the Institute of Supply Management was forecast to stay at a sub par 48.0, though



Md Mehmoed Husain, managing director of Bank Asia, poses with the recipients of the bank's higher studies scholarship from Mohadevpur, Naogaon at an event on Saturday. Barun Kanti Saha, senior executive vice president, was also present.

BANK ASIA

## S Korea's exports record biggest drop since 2009

AFP, Seoul

South Korea's exports, the main driver of the national economy, suffered their sharpest drop in more than six years in January, extending what is now a 13-month losing streak. Government data released Monday showed exports down 18.5 percent from the same month last year at \$36.7 billion -- the steepest decline since August 2009. The report cited a host of factors, such as slow-downs in major economies, including South Korea's biggest trade partner China which accounts for a quarter of the country's exports. Falling global oil prices also contributed to the dismal figure, hitting petroleum products that are a mainstay export item for Asia's fourth largest economy.

## Japan's top steelmaker cuts full-year profit forecast

AFP, Tokyo

Nippon Steel & Sumitomo Metal on Monday cut its full-year sales and profit forecast amid a slowdown in China and other overseas markets. The Tokyo-based company, one of the world's biggest steelmakers, also said it will start talks to take a controlling interest in a domestic rival to better compete globally. The global steel industry has suffered from weakening demand as Asian giant China's economy has slowed down from its high growth era, when international commodity suppliers grew fat off demand for big ticket infrastructure projects there. NSSMC downgraded its net profit forecast to 140 billion yen (\$1.2 billion) for the fiscal year to March, from an earlier estimate of 180 billion yen. It also revised downwards its full-year sales projection to 4.97 trillion yen, from the 5.0 trillion yen forecast earlier. For the nine months to December, its net profit edged down 0.4 percent to 153.0 billion yen, while operating profit plunged 42.1 percent to 147.7 billion yen, with sales down 11.1 percent at 3.7 trillion yen.

"Regarding overseas steel demand, on top of the slowdown in steel demand in China, the ASEAN region also experienced stagnant demand," NSSMC said in a statement. "In overseas steel markets... the company expects the current severe competitive conditions to remain unchanged in the near term as Chinese steelmakers are continuing to expand exports," it added. It said that factors including gains from sales of its shareholdings helped limit the decline in net income. Earlier Monday, the company announced an agreement to raise its stake in its French partner Vallourec to around 15 percent by investments worth 350 million euros (\$379 million). NSSMC also agreed to start talks on plans to take control of the fourth largest domestic player Nisshin Steel. Under the plan, NSSMC would raise its stake in Nisshin from the current 8.3 percent to a range between 51 percent and 66 percent by March 2017, the two firms said. With the purchase -- estimated at up to 80 billion yen -- NSSMC would control roughly half the domestic stainless steel market, local media said.



Shamim Ahmed Chaudhury, managing director of AB Bank, and Subhankar Saha, executive director of Bangladesh Bank, pose at the signing of a long term financing agreement under BB's Financial Sector Support Project. AB Bank, as a participating financial institution, will provide long term foreign currency finance to private sector firms, mainly exporters, small and medium enterprises and manufacturing units.

AB BANK

## China arrests 21 over \$7.6b Ponzi scam

AFP, Beijing

Chinese authorities have arrested 21 people on suspicion of defrauding around 900,000 people of more than 50 billion yuan (\$7.6 billion), state media reported, after an online peer-to-peer lender turned out to be a giant Ponzi scheme. Ezubao offered investors annual returns of between nine percent and 14.6 percent on various projects, the official Xinhua news agency reported -- far more than currently offered by Chinese banks' wealth management products. The platform, launched in July 2014, had amassed more than 50 billion yuan by December, said the report late Sunday, citing police as estimating 900,000 investors had fallen victim to the scam. Investors were despondent on Monday, with one asking on China's Twitter-like Weibo: "Does our money just evaporate like that?" But few comments were visible, leading to suspicions of censorship in a country where authorities impose strict controls to avoid social unrest. Illegal fund-raising is widespread in China and often involves a large number of investors who have few investment options because of low bank interest rates, an extremely speculative stock market and uncertainties in the property sector. Last October a payment crisis at state-managed Fanya Metals Exchange sparked protests in Beijing and Shanghai, with police detaining hundreds in the capital.

## China new home prices up in January

AFP, Beijing

China's new home prices increased in January for the sixth straight month, a survey showed Monday, positive news for the key sector following a series of stimulus measures aimed at boosting lending. The gains come as authorities have sought to stabilise China's property market -- a main driver of the world's second-largest economy -- and rolled out new measures intended to encourage migrant workers to buy homes in the cities where they work. The average price of a new home in China's 100 major cities rose 0.42 percent month-on-month in January to 11,026 yuan (\$1,675) per square

metre, the China Index Academy (CIA) said in a report, a slight easing from December's 0.74 percent rise. On a year-on-year basis, prices rose 4.37 percent. The property market fuelled much of China's spectacular growth in recent decades but hit the doldrums in the past two years, with new buyers priced out despite government borrowing restrictions reining in soaring costs. The economy grew at its slowest pace in a quarter of a century in 2015, expanding 6.9 percent. The National Bureau of Statistics said in January that total property market turnover jumped 16.6 percent in 2015 as volumes rose, but added that growth in new construction

slowed, limiting the positive effect on the overall economy. Worries over a weakening currency and a shaky economy have caused capital to storm out of China, and raised questions among investors about the government's ability to stave off a "hard landing" this year. At a policy conference in December the government pledged to encourage property developers to "moderately cut housing prices" and ordered local authorities to "revoke obsolete restrictive measures". CIA, the research unit of real estate website operator Soufun, expected demand to rebound after the Lunar New Year holiday, with steady price growth, and more rapid expansion in

## Ryanair says Q3 profits more than double

AFP, Dublin

Irish no-frills airline Ryanair said Monday that third-quarter net profit more than doubled on surging passenger numbers, and unveiled an 800-million-euro (\$866-million) share buyback programme. Earnings after taxation rocketed 110 percent to 103 million euros in the three months to the end of December, or third quarter of its financial year, compared with 49 million euros a year earlier, Ryanair said in a results statement. Customer traffic jumped by a fifth to 25 million people in the reporting period.

The Dublin-based carrier added it would return 800 million euros to investors via a share buyback, and cited its rising profitability and improving cashflow. Price promotions and heavy discounts offset the impact of weaker demand following last November's deadly Paris attacks. "Following a strong first half of Q3, we noted weaker pricing and bookings immediately after the terrorist events in Paris and Brussels," said chief executive Michael O'Leary. "We reacted to this softness by running price promotions and discounted fares to stimulate double digit traffic growth."



Alamgir Kabir, additional managing director of Crown Cement, hands over 1,000 blankets to Matiur Rahman, editor of Prothom Alo, at the newspaper's office in Dhaka on Wednesday. Prothom Alo Trust will distribute the blankets among the poor.

CROWN CEMENT

## Japan megabank profits down as BoJ stimulus threatens bottom line

AFP, Tokyo

Japan's biggest banks tumbled in Tokyo share trading Monday as a drop in their latest earnings was compounded by fears that the Bank of Japan's new stimulus measures would hit their bottom line. Shares in the trio -- Mitsubishi UFJ, Sumitomo Mitsui Financial Group and Mizuho Financial Group -- suffered a sell-off after the central bank on Friday unveiled plans to effectively charge lenders on some deposits. The negative interest rate policy is intended to increase lending to people

and businesses in order to kickstart the world's number three economy and fend off deflation. The idea is to give commercial banks an incentive not to park their cash at the central bank. But the move threatens to weigh on bank profits, analysts said, as they battle to drive up lending at home. Some analysts saw the BoJ bid as a desperate move after three years of Prime Minister Shinzo Abe's big-spending and monetary easing policy known as "Abenomics". This had limited impact on the moribund economy. "While banks potentially benefit

along with the rest of the economy from Friday's valiant attempt by the BoJ to rescue Abenomics, in the short and medium term the sector seems likely to face substantial downward earnings pressure," David Threadgold, analyst at Keefe, Bruyette & Woods, said in a commentary. He added that the banking unit of Japan Post was most at risk owing to the size of its domestic business. After markets closed Monday, Mitsubishi UFJ said its net profit for the nine months through December fell eight percent to 852.3 billion yen (\$7.03 billion), as it saw lower gains



Md Rezaul Haque, chairman of Social Islami Bank, opens an Ez Banking booth of Hamdard University campus in Munshiganj. Md Shafiqur Rahman, managing director, was also present.

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